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DEPARTMENT OF THE TREASURY

Financial Crimes Enforcement Network

FinCEN's Innovation Initiative: Implementation of FinCEN Innovation Hours; Invitation to Request Innovation Hours Meeting

AGENCY: Financial Crimes Enforcement Network (“FinCEN”), U.S. Department of the Treasury.

ACTION: Notice.

SUMMARY: FinCEN, a bureau of the Department of the Treasury, is notifying the public of its Innovation Hours Program. Through the Program, FinCEN will provide dedicated time on a monthly basis to meet with financial institutions, regulatory and financial technology firms, and other stakeholders to enable them to share information with FinCEN about innovative approaches to evaluating, maintaining and reporting information under the Bank Secrecy Act in order to further strengthen the financial system against illicit financial activity. The FinCEN Innovation Hours Program is a cornerstone of a broader FinCEN Innovation Initiative highlighted within the Joint FinCEN-Federal Banking Agency Statement on Innovation (December 3, 2018).¹ The FinCEN Innovation Initiative seeks to promote innovation by supporting, where appropriate and feasible, innovation pilot programs, and enhanced feedback and information sharing programs. In addition, FinCEN will consider for future implementation the feasibility of incorporating demonstration and application testing

¹ See <https://www.fincen.gov/news/news-releases/treasury-fincen-and-federal-banking-agencies-issue-joint-statement-encouraging>.

capabilities to facilitate the development of innovative solutions to Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) challenges.

This notice will be in the Federal E-rulemaking Portal:

<http://www.regulations.gov>. Refer to Docket Number FinCEN-2019-0001.

DATES: *Effective Date:* FinCEN Innovation Hours Program will begin effective

[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Stakeholders must submit meeting requests using the request form and questionnaire available on the Innovation Initiative webpage

[<https://www.fincen.gov/resources/fincens-innovation-hours-program>].

FOR FURTHER INFORMATION CONTACT: The FinCEN Resource Center at 800-767-2825 or electronically at FRC@fincen.gov.

SUPPLEMENTARY INFORMATION:

I. Background

FinCEN launched an Innovation Initiative to foster a better understanding of the opportunities and challenges of Bank Secrecy Act (BSA) and AML-related innovation in the financial services sector. FinCEN recognizes that private sector innovation, either by new ways of using existing tools or by adopting new technologies, has the potential to enhance financial institutions' BSA/AML compliance programs. This includes aspects involving risk identification, transaction monitoring, and suspicious activity reporting as well as otherwise improving the BSA/AML framework by making valuable information available to law enforcement. When responsibly employed, these enhancements can be an important element in safeguarding the U.S. financial system against an evolving array of threats. FinCEN's Innovation Initiative, highlighted within the Joint FinCEN-Federal

Banking Agency Statement on Innovation (December 3, 2018), includes the FinCEN Innovation Hours Program, consideration of exceptive relief, where necessary and appropriate to facilitate innovative solutions to AML/CFT compliance challenges, and ongoing efforts to identify ways to enhance existing feedback and information sharing programs. FinCEN is considering plans to further expand this initiative in the longer-term by establishing demonstration and application testing capabilities for innovative AML/CFT solutions. FinCEN will also consider the feasibility of sponsoring “Tech Sprints” to facilitate the development of innovative solutions to AML/CFT challenges in the longer-term.²

To continue to better understand regulatory and financial technology developments involving AML and CFT, FinCEN has met with financial institutions, technology companies, payments processors, regulators and other stakeholders focusing on innovation. A common theme emerging from these discussions is the desire by financial services stakeholders to have greater direct engagement with policymakers and regulators to discuss or demonstrate innovative financial products and services and compliance solutions. At the same time, industry engagement educates policymakers and regulators about new and emerging financial technology (“FinTech”) and regulatory technology (“RegTech”) business models and operating environments, as well as other innovative approaches to compliance. Such understanding helps to inform potential ways to improve the effectiveness and efficiency of the AML/CFT regulatory framework to

² Tech Sprints are events hosted by government, private-sector, and/or non-profit organizations or academic institutions that bring together representatives from all those sectors to collaboratively identify potential technological or other solutions to a particular problem or issue. FinCEN is considering the feasibility of hosting such events in the future that would focus on specific AML/CFT challenges or issues.

make more valuable information to law enforcement and to better protect the U.S. financial system.

II. Innovation Hours

To advance FinCEN's Innovation Initiative, FinCEN will host Innovation Hours for financial institutions, technology providers, and other firms involved in financial services to discuss and showcase their innovative products, services and approaches. FinCEN intends for this engagement to benefit both the private sector and government. Industry would share information about specific innovations and the potential opportunities and challenges. As part of the Innovation Hours, FinCEN will provide FinTech and RegTech companies, financial institutions and other stakeholders opportunities to demonstrate their new and emerging technologies and innovative products and services. Such demonstrations would be aimed primarily at educating FinCEN and other government participants about how the innovations operate and can enhance BSA/AML compliance to provide for more effective and efficient reporting and recordkeeping or otherwise improve the value of information collected and analyzed under the BSA framework.

Innovation Hours will be held primarily at FinCEN offices in Washington, D.C. or Vienna, VA on a monthly basis, but they may also be conducted in other locations, as well as virtually, as appropriate. Innovation Hours will generally be scheduled for one hour per eligible requester. Depending on the demand or other factors, FinCEN may not be able to grant all requests. Those participating in Innovation Hours will not be compensated or reimbursed for their time, services, or travel.

A. Eligibility

Unless otherwise authorized by FinCEN, to participate in the Innovation Hours Program, FinCEN requires at a minimum that:

- (i) The requester provide or use financial or regulatory products or services that comply with BSA regulations or are intended to enhance compliance with U.S. regulations.
- (ii) The presentation or demonstration address how such products or services, or innovative uses of existing tools, can enhance financial institutions' BSA/AML compliance programs, including, for example, aspects involving risk identification, transaction monitoring, and suspicious activity reporting or otherwise improve the effectiveness and efficiency of the AML/CFT framework to make more valuable information available to law enforcement to better protect the U.S. financial system.
- (iii) Products are in production or ready for deployment.
- (iv) The company is not the subject of an ongoing federal or other criminal or civil enforcement action for BSA/AML deficiencies.

FinCEN does not generally anticipate accepting requests from entities whose innovations are in the conceptual or nascent stages of development. FinCEN will meet with consultants or legal service providers to eligible companies through the Innovation Hours Program only to the extent that such consultants or legal service providers are representing an entity otherwise eligible to request a meeting under the criteria listed above.

B. Limitations

Discussions occurring in the context of the FinCEN Innovation Hours Program do not constitute a formal agency position and are non-binding on participants. Participation in the Innovation Hours Program does not constitute a U.S. government recommendation,

endorsement, or approval of any company innovation, product, service or approach. In addition, FinCEN does not, and will not, through FinCEN's Innovation Initiative, approve, provide advice, or opine on:

- Any specific business model;
- What products or services a firm can or should provide; or
- How a company should structure their operations or compliance program.

C. Process for Requesting Innovation Hours

Companies interested in seeking engagement with FinCEN through the Innovation Hours Program should complete and submit a request form and questionnaire as instructed on the Innovation Initiative webpage located at [<https://www.fincen.gov/resources/fincens-innovation-hours-program>]. The request form and questionnaire requires participants to provide background information on the firm's business and the requested discussion topics. FinCEN may, however, seek additional information as appropriate to enable an informed review of the request. Please note that contacting FinCEN to request a meeting will be viewed as a representation that your firm understands and will comply with the parameters for such engagement outlined in the Frequently Asked Questions published on the Innovation Initiative webpage [<https://www.fincen.gov/resources/fincens-innovation-hours-program/faq>].

D. General Compliance Questions

Although general compliance or other questions may come up during Innovation Hours, such questions should not be the purpose of the meeting. Companies with general questions regarding the BSA and its implementing regulations should contact the FinCEN Resource Center (FRC) at 1-800-767-2825 or FRC@fincen.gov.

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